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C O N F I D E N T I A L SECTION 01 OF 02 SHENYANG 000039

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TAGS: ECON ETRD KN KS PREL RS
SUBJECT: STRAINED YANJI ECONOMY, YUST/PUST OPERATIONS; DPRK
TRADE STEADY

REF: A. 06 SEOUL 1519
¶B. 07 SHENYANG 79
¶C. 07 SHENYANG 115
¶D. 08 SHENYANG 71

Classified By: Consul General Stephen B. Wickman. Reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: While 2008 was a banner year for trade in Jilin Province as a whole, a recent visit to the China-DPRK-Russia border region showed that the global slowdown has sharply reduced South Korean and Russian trade. This is in stark contrast to the past, when generous capital inflows from Seoul and long-term trading relationships with North Korea and Russia allowed the Yanbian Korean Autonomous Prefecture to enjoy a standard of living much higher than neighboring localities. Meanwhile, the Yanbian University of Science and Technology (YUST) is feeling the pinch, while its North Korean spinoff, Pyongyang University of Science and Technology (PUST) is still awaiting a decision from what appears to be a hesitant DPRK government. END SUMMARY.

¶2. (U) Congenoff and assistant visited the Yanbian Korean Autonomous Prefecture in Jilin February 17-19, to gauge the ripple effects of the global economic downturn. Over the past two decades, Yanbian's capital of Yanji had benefited greatly from its unique relationships with both Koreas and Russia.

JILIN 2008 GROWTH HIGH, DPRK CROSS-BORDER TRADE STEADY...
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¶3. (U) As the poorest province in northeast China, Jilin in 2008 continued to enjoy high growth from a low base. Official figures indicate the province's GDP reached RMB 642.4 billion, up 16 percent from 2007. Annual disposable income of urban residents was up 13.8 percent at RMB 12,829 and was RMB 4,933 for rural residents, up 17.7 percent. The total foreign trade value reached USD 13.3 billion, up 29.5 percent from 2007.

¶4. (U) Jilin's total trade value with the DPRK was USD 769 million, of which USD 535 million were exports, up 124 percent from 2007. DPRK trade with Yanji in 2008 reflected similar increases, up 200 percent at USD 301 million, with imports up 69 percent at USD 79 million and exports up over 300 percent at USD 212 million. Imports mainly consisted of iron ore while exports were consumer goods, foodstuffs, and light machinery (NOTE: The increase in trade value is largely driven by increasingly expensive Chinese goods rather than real fluctuations in actual trade; border trade volume at Yanji land ports show imports to China were up 44 percent to one million metric tons, but exports were down 1 percent, to 110,000 metric tons.)

...YANJI DOWN AND PROSPECTS LOOK MUCH WORSE FOR 2009
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¶5. (U) Our meetings in Yanji suggested that 2009 has gotten off to a bumpy start. Yanbian Taida International Commerce Trade Logistics corporation (Taida) officials revealed a sharp downturn in trade volume this year. Founded in 2001 to aid traders navigating Chinese customs, Taida provides customs clearance services for ROK, DPRK, and Russian imports. In 2008, Taida recorded USD 25 million in volume for the whole year but booked well under USD one million in January 2009. Taida officials remarked that South Korean goods were down sharply, DPRK goods remained steady, and Russian trade was down with the exception of local construction materials.

¶6. (U) Yanbian Chenguang International Trade (Chenguang) told a similar story. Russian trade was down from highs in 2007, and our contacts said they believed that the Russian economy was in far worse shape than it appeared to be. They noted that the DPRK had shifted its trading focus to the export of minerals as a means of enticing Chinese traders to invest via joint ventures and direct investment. However, Chenguang officials said they had been burned before by such tactics and they were pessimistic that the DPRK was really interested in a reasonable give-and-take. They noted that if Chenguang were allowed to ship DPRK-sourced minerals and coal to South Korea, there would be a substantial profit, but Pyongyang restricted the sales to domestic Chinese consumption for political reasons. This, they said, did not justify any investment by Chenguang in North Korea.

YUST STRUGGLING, PUST READY FOR SOFT OPENING

¶7. (C) YUST Vice President David KIM (strictly protect), normally upbeat and eternally optimistic in the face of challenges, was as down as we have ever seen him this visit. South Korean private donations, which fund 60 percent of YUST's operations, were far lower in 2008 than in 2007, Kim said, and 2009 has ushered in even more dire conditions. The weakened South Korean won (at a ten-year low) and rising ROK unemployment were mostly to blame.

¶8. (C) Kim said PUST still has no firm date for opening in Pyongyang. As he did throughout 2008, he assured us that all of the facilities were in place for a "soft opening," pending final DPRK governmental approval (Ref D). However, he expressed disappointment that, despite previous DPRK assurances that PUST could begin operations as soon as the facilities were built, the authorities now appeared to be hesitant to face the real prospect of regular and direct interactions between North Korean students and foreign faculty. Kim again relayed his disappointment that the USG had yet to approve a planned shipment of computer equipment to PUST (Ref B & D.)
WICKMAN